

EXHIBIT 1

INTRODUCTION

Respondent Armando Rea was a successful candidate for re-election to the Lynwood City Council in the November 4, 1997 election. Respondent Citizens to Elect Armando Rea (the “Committee”) was the controlled committee of Respondent Armando Rea.

In connection with the November 4, 1997 election, Respondents failed to timely file required campaign statements, having filed only one statement prior to the election, and committed numerous other campaign reporting violations. Respondents failed to report expenditures, accepted two contributions in cash totaling over \$9,000, accepted anonymous in-kind contributions, failed to properly report and dispose of anonymous in-kind contributions, failed to report contributions, and failed to file late contribution reports. Additionally, Respondents failed to maintain required campaign finance records.

For the purposes of this default decision and order, Respondents’ violations of the Political Reform Act (the “Act”),¹ are stated as follows:

COUNT 1: Respondents Armando Rea and Citizens to Elect Armando Rea failed to file by the January 31, 1997 due date, a semi-annual campaign statement for the reporting period July 1, 1996 through December 31, 1996, in violation of section 84200, subdivision (a) of the Government Code.

COUNT 2: Respondents Armando Rea and Citizens to Elect Armando Rea failed to report a contribution of \$2,000 received from Armando Rea on the semi-annual campaign statement due by January 31, 1997, for the reporting period October 19, 1997 through December 31, 1997, in violation of section 84211, subdivision (f) of the Government Code.

COUNT 3: Respondents Armando Rea and Citizens to Elect Armando Rea failed to report a contribution of \$1,000 received from OH Henry Construction on the semi-annual campaign statement due by January 31, 1997, for the reporting period October 19, 1997 through December 31, 1997, in violation of section 84211, subdivision (f) of the Government Code.

COUNT 4: Respondents Armando Rea and Citizens to Elect Armando Rea failed to report a contribution of \$800 received from Mariscos El Paisa, Inc. on the semi-annual campaign statement due by January 31, 1997, for the reporting period October 19,

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2, California Code of Regulations. All regulatory references are to title 2, division 6, of the California Code of Regulations, unless otherwise indicated.

1997 through December 31, 1997, in violation of section 84211, subdivision (f) of the Government Code.

COUNT 5: Respondents Armando Rea and Citizens to Elect Armando Rea failed to file by the July 31, 1997 due date, a semi-annual campaign statement for the reporting period January 1, 1997 through June 30, 1997, in violation of section 84200, subdivision (a) of the Government Code.

COUNT 6: Respondents Armando Rea and Citizens to Elect Armando Rea failed to report in a semi-annual campaign statement due by July 31, 1997, for the reporting period January 1, 1997 through June 30, 1997, expenditures totaling \$2,302.07, made on or about and between February 21, 1997 and March 17, 1997, to Colby Signs, in violation of section 84211, subdivision (j) of the Government Code.

COUNT 7: Respondents Armando Rea and Citizens to Elect Armando Rea failed to report in a campaign statement due by July 31, 1997, for the reporting period January 1, 1997 through June 30, 1997, an expenditure of \$2,000 made on May 30, 1997 to Lyngate Printing, in violation of section 84211, subdivision (j) of the Government Code.

COUNT 8: Respondents Armando Rea and Citizens to Elect Armando Rea failed to report on a campaign statement due by July 31, 1997, for the reporting period January 1, 1997 through June 30, 1997, a contribution of \$2,500 from Mariscos El Paisa, Inc., received on or about May 6, 1997, in violation of section 84211, subdivision (f) of the Government Code.

COUNT 9: Respondents Armando Rea and Citizens to Elect Armando Rea failed to report in a pre-election statement due by September 25, 1997, for the reporting period July 1, 1997 through September 20, 1997, the true source of non-monetary contributions totaling \$1,525, received in July 1997, in violation of section 84211, subdivision (f) of the Government Code.

COUNT 10: Respondents Armando Rea and Citizens to Elect Armando Rea failed to properly dispose of anonymous contributions totaling at least \$1,525, received in July 1997, in violation of section 84304 of the Government Code.

COUNT 11: Respondents Armando Rea and Citizens to Elect Armando Rea failed to timely file a pre-election campaign statement by October 23, 1997, for the reporting period September 21, 1997 through October 18, 1997, in violation of sections 84200.5 and 84200.8 of the Government Code.

COUNT 12: Respondents Armando Rea and Citizens to Elect Armando Rea accepted cash contributions totaling \$9,500 on October 21, 1997 and October 22, 1997, in violation of section 84300, subdivision (a) of the Government Code.

- COUNT 13: Respondents Armando Rea and Citizens to Elect Armando Rea failed to file a late contribution report due on October 22, 1997, disclosing the receipt of a late contribution in the amount of \$4,700, in violation of section 84203, subdivision (a) of the Government Code.
- COUNT 14: Respondents Armando Rea and Citizens to Elect Armando Rea failed to file a late contribution report due on October 23, 1997, disclosing the receipt of a contribution in the amount of \$4,800, in violation of section 84203, subdivision (a) of the Government Code.
- COUNT 15: Respondents Armando Rea and Citizens to Elect Armando Rea failed to maintain records regarding the source of the \$4,700 contribution that Respondent Committee received on October 21, 1997, and the source of the \$4,800 contribution that Respondent Committee received on October 22, 1997, in violation of section 84104 of the Government Code.

PROCEDURAL HISTORY

In 1997, the Enforcement Division received two complaints against Respondents. As the Enforcement Division pursued its investigation, it uncovered additional related violations on the part of other candidates and committees in Lynwood, which have resulted in successful prosecutions in the matters of Arturo Reyes (FPPC No. 01/591) and Robert Kudler and K&W Aviation (FPPC No. 01/443).

In response to a lack of cooperation from Respondent Rea, numerous subpoenas were issued in this case in 1999 and 2000. In January 2002, the Enforcement Division initiated a formal enforcement action with the service of a Report in Support of a Finding of Probable Cause on Respondents Armando Rea, the Committee to Elect Armando Rea and the Committee's treasurer Sylvia Herron. In April 2002, the Enforcement Division filed an Amended Report in Support of a Finding of Probable Cause, adding numerous additional allegations. After attempts to reach a negotiated settlement failed, a probable cause conference was held in this matter on May 1, 2003. Respondents failed to appear at the probable cause conference.

On June 6, 2003, the Executive Director issued an Order Finding Probable Cause, determining that there was probable cause to believe Respondents committed 23 violations of the Act (with six additional counts pleaded in the alternative). Thereafter, an Accusation was personally served on each of respondents. Pursuant to the California Administrative Procedure Act (the "APA"),² a respondent is entitled to a hearing on the merits of an Accusation if the respondent files a Notice of Defense within 15 days after service of the Accusation. (Section

² The Administrative Procedure Act is contained in sections 11370 through 11529 of the Government Code.

11506.) The APA further provides that a respondent's failure to file a Notice of Defense within 15 days after service of an Accusation constitutes a waiver of the respondent's right to a hearing. (Section 11506, subdivision (c).) A default decision may be issued if the respondent fails to file a Notice of Defense within 15 days of service of the Accusation. (Section 11520, subdivision (a).) Along with the Accusation, Respondents were served with a "Statement to Respondent" that explained the statutory requirement that a respondent return a Notice of Defense within 15 days or else his or her right to a hearing will be deemed to have been waived. Respondents were also served with two copies of the Notice of Defense form, a copy of the Order Finding Probable Cause, and copies of relevant APA provisions.

Within 15 days of being served with the Accusation, Respondents filed a Notice of Defense requesting that a hearing be held.

After the Enforcement Division filed its Request for Discovery, in preparation for an administrative hearing, Respondent Armando Rea engaged in serious settlement discussions with the Enforcement Division in order to try to resolve the matter without going forward with a hearing. As a result of those discussions, the parties arrived at a proposed settlement that would enable them to overcome the past obstacles to settlement, such as Respondents' willingness to admit wrongdoing and their claimed lack of financial resources to pay a large administrative penalty in conjunction with a stipulated settlement, while still addressing Respondents' serious violations of the Act.

Pursuant to the proposed settlement, the Enforcement Division filed an amended Accusation in the case, which differs from the original Accusation in two respects. First, it removes nominal treasurer Sylvia Herron as a respondent, as Respondent Rea has acknowledged sole responsibility for how his campaign operated. Second, it reduces the number of counts alleged from 23 to 15 by eliminating some of the more technical violations while still retaining the most serious violations concerning reporting, receiving cash contributions, and accepting anonymous contributions that lie at the heart of the case and produced the most public harm.

In return for the filing of the amended Accusation, Respondents Armando Rea, the Committee to Elect Armando Rea and Sylvia Herron agreed to withdraw their Notice of Defense, and Respondents Armando Rea and the Committee to Elect Armando Rea further agreed to sign a confession of judgment to be filed in civil court for \$30,000, the maximum administrative penalty that may be imposed for the 15 counts now alleged. The confession of judgment is contingent upon the Commission adopting this proposed Default Decision and Order. By resolving the case in this manner, the Enforcement Division was able to reach a more expeditious and economical resolution of the matter than through continued litigation, and still stay consistent with its purpose of imposing significant penalties for serious violations of the Act.

SUMMARY OF THE LAW

Campaign Disclosure

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and so that improper practices may be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose of disclosure.

1. Pre-election Campaign Statements

One feature of the system, found at section 84200.5, subdivision (c), is that all candidates and their controlled committees, for an election that is not being held in June or November of an even-numbered year, shall file pre-election campaign statements according to a schedule set forth at section 84200.8. Section 84200.8, subdivision (a) requires candidates and their controlled committees to file a first pre-election statement no later than forty days before the election, disclosing contributions and expenditures occurring up to forty-five days before the election. Section 84200.8, subdivision (b) requires candidates and their controlled committees to file a second pre-election statement no later than twelve days before the election, disclosing contributions and expenditures occurring between forty-four and seventeen days before the election.

Section 82013 defines a "committee" as any person or combination of persons who receives contributions of \$1,000 or more in a calendar year, or makes independent expenditures of \$1,000 or more in a calendar year, or who makes contributions totaling ten thousand dollars (\$10,000) or more in a calendar year, to, or at the behest of, candidates or committees. A "controlled committee" means a committee that a candidate or state measure proponent controls, through the exercise of significant influence on the actions or decisions of the committee, or a committee that acts jointly with a candidate, controlled committee, or state measure proponent in connection with the making of expenditures. (Sec. 82016.)

Under section 82007 and regulation 18404, subdivision (d), a controlled committee's filing obligations continue in effect, until such time as that committee is legally terminated. Section 84214 and regulation 18404, subdivision (b) provide that a controlled committee is not legally terminated until the committee's treasurer files a termination statement on behalf of the committee, declaring that all of the pre-conditions for termination have been met.

2. Semi-annual Campaign Statements

Another feature of the campaign reporting system, found at Section 84200, subdivision (a), is that candidates and their controlled committees must file semi-annual campaign statements each year, no later than July 31, to disclose contributions and expenditures that occur during the semi-annual reporting period ending June 30, and no later than January 31, to disclose contributions and expenditures that occur during the semi-annual reporting period ending December 31.

3. Duty to Disclose and Itemize Contributions of \$100 or More

If the cumulative amount of the contributions received by a committee from a contributor is \$100 or more, and the committee receives a contribution from the contributor during a reporting period, section 84211, subdivision (f) requires the committee to report on its campaign statement for the period the following itemized information: (1) the contributor's full name, address, occupation and employer; (2) the date and amount of the contribution; and (3) the cumulative amount of the contributions received from the contributor.

Section 82015 states that a "contribution" means "a payment . . . except to the extent that full and adequate consideration is received, unless it is clear from the surrounding circumstances that it is not made for *political purposes*." (Emphasis added.)

4. Duty to Disclose and Itemize Expenditures of \$100 or More

Pursuant to Government Code section 84211, subdivisions (i) through (k)³, all campaign expenditures must be reported on campaign statements. Under section 84211, subdivision (k)(1) - (4), for each person to whom an expenditure of \$100 or more has been made by a committee during a reporting period, the committee is required to disclose on its campaign statement for the reporting period the following information: the full name and address of the person; the amount of each expenditure; and a brief description of the consideration for which each expenditure was made. Section 84211, subdivision (k)(5) further provides that, in the case of an expenditure which is a contribution to a candidate, elected officer, or committee, or is an independent expenditure to support or oppose a candidate or measure, in addition to the information described above, the following information must be disclosed: the date of the contribution or independent expenditure; the cumulative amount of contributions made to the candidate, elected officer, or committee, or the cumulative amount of independent expenditures made relative to the candidate or measure; the full name of the candidate, and the office and district for which he or she seeks nomination or election, or the number or letter of the measure; and the jurisdiction in which the measure or candidate is voted upon.

Section 82025 states that an "expenditure" means "a payment . . . unless it is clear from the surrounding circumstances that it is not made for *political purposes*." (Emphasis added.) This section goes on to state that an expenditure is made on the date the payment is made, or on the date consideration, if any, is received, whichever is earlier.

5. Duty to Maintain Records

To ensure accurate campaign reporting, section 84104 imposes a mandatory duty on each candidate, treasurer, and elected officer to maintain detailed accounts, records, bills and receipts that

³ At the time these violations were committed the current section 84211, subdivision (k) was numbered section 84211, subdivision (j). The counts charged herein reflect the statute as it read at the time of the violations.

are necessary to prepare campaign statements, and to comply with the campaign reporting provisions of the Act. Under Regulation 18401, subdivisions (a)(1) - (a)(3), this duty includes maintaining original source documentation for all contributions.

6. Cash Contributions

No contribution of \$100 or more shall be made or received in cash. (Sec. 84300, subd. (a).)

7. Late Contribution Reporting

A late contribution means any contribution, including a loan, which totals in the aggregate \$1,000 or more, that is made to, or received by, a candidate or a controlled committee, or a committee formed or existing primarily to support or oppose a candidate or measure, before the date of the election at which the candidate or measure is to be voted on, but after the closing date⁴ of the last campaign statement required to be filed before the election. (Sec. 82036.)

Each candidate or committee that makes or receives a late contribution must report it by mailgram, telegram, guaranteed overnight mail through the United States Postal Service, or personal delivery, within 24 hours of the time it is received or made. (Sec. 84203, subd. (a) and (b).) Late contribution reporting serves an important function by informing voters of contributions received during the crucial last two weeks prior to an election. The late contribution period for the November 4, 1997 election was October 19, 1997 through November 3, 1997.

Anonymous Contributions

Anonymous contributions of \$100 or more are prohibited. If a person receives an anonymous contribution of \$100 or more, the contribution shall not be kept by the intended recipient, but instead shall be promptly paid to the Secretary of State for deposit in the General Fund of the state. (Sec. 84304.)

SUMMARY OF THE FACTS

Respondent Armando Rea was a successful candidate for re-election to the Lynwood City Council in the November 4, 1997 election. Respondent Committee was established on March 28, 1996, and was Respondent Rea's controlled committee.

⁴ The "closing date" for a campaign statement is the date through which the statement must be completed. (Section 82010.)

COUNT 1:
Failure to Timely File a Semi-Annual Campaign Statement.

Respondents Armando Rea and Committee had a duty to file a campaign statement, disclosing the Committee's contributions and expenditures during the reporting period July 1, 1996 through December 31, 1996, no later than January 31, 1997. Respondent Committee's bank records establish that it received \$5,574 in contributions and made expenditures of \$2,052.60 during this reporting period. Respondents failed to file the required semi-annual campaign statement by the January 31, 1997 due date, in violation of section 84200, subdivision (a) of the Government Code.

COUNT 2:
Failure to Disclose a Contribution

Respondents Armando Rea and Committee had a duty to disclose on a semi-annual campaign statement due January 31, 1997, all contributions received during the reporting period July 1, 1996 through December 31, 1996. According to documents obtained by the Enforcement Division, in December of 1996, Respondents sent Christmas cards to Respondent Rea's constituents. The cards were not merely personal greetings, but were sent for a political purpose. According to statements made by Respondent Rea to Enforcement Division Investigator Sandra Buckner, the cards were mailed to a list of Respondent Rea's constituents compiled from voter registration lists. The Christmas cards had the appearance of an official mailing. Appearing on each Christmas card was a photograph of Respondent Rea, above which was printed "City of Lynwood," and below which was printed "Armando Rea Member of Council." The City of Lynwood's seal was printed to the left of the photograph. In addition, each card was signed "Armando Rea Member of Council," and the City of Lynwood's address appeared on the outside of the envelope in which each card was sent.

According to invoices obtained by the Enforcement Division, the Christmas cards were printed by Lyngate Printing. Respondent Rea ordered 5,400 such cards at an invoiced cost of \$4,763.00. According to statements made by Mr. Rea to Investigator Buckner as well as business records of Lyngate Printing, on December 18, 1996, Respondent Rea paid Lyngate Printing \$2,000 in cash toward the total cost of the Christmas cards. This constituted a contribution from Respondent Rea to Respondent Committee, and therefore should have been reported by Respondents as required by section 84211, subdivision (j) on the semi-annual campaign statement that was due to be filed by January 31, 1997. Respondents failed to report this contribution, in violation of section 84211, subdivision (f) of the Government Code.

COUNT 3:
Failure to Disclose a Contribution

Respondents Armando Rea and Committee had a duty to disclose on a semi-annual campaign statement due January 31, 1997, all contributions received during the reporting period

July 1, 1996 through December 31, 1996. According to bank records and invoices of Lyngate Printing, on December 20, 1996, OH Henry Construction paid \$1,000 to Lyngate Printing to be applied toward the cost of the Christmas cards described in Count 2. This constituted a contribution to Respondent Committee and should have been reported by Respondents on the semi-annual campaign statement due on January 31, 1997. Respondents failed to report this contribution, in violation of section 84211, subdivision (f) of the Government Code.

COUNT 4:

Failure to Disclose a Contribution

Respondents Armando Rea and Committee had a duty to disclose on a semi-annual campaign statement due January 31, 1997, all contributions received during the reporting period July 1, 1996 through December 31, 1996. According to bank records and invoices of Lyngate Printing, on December 24, 1996, Mariscos El Paisa, Inc. paid \$800 to Lyngate Printing, toward the cost of the Christmas cards described in Count 2. This payment constituted a contribution to Respondent Committee and should have been reported by Respondents on the semi-annual campaign statement due on January 31, 1997. Respondents failed to report this contribution, in violation of section 84211, subdivision (f) of the Government Code.

COUNT 5:

Failure To Timely File a Semi-Annual Campaign Statement

Respondents Armando Rea and Committee had a duty to file a semi-annual campaign statement by July 31, 1997, disclosing the campaign activity of Respondent Committee during the reporting period January 1, 1997 through June 30, 1997. According to the records of the Lynwood City Clerk, prior to the filing deadline, the City Clerk sent an inter-office memo to Respondent Rea on July 2, 1997, reminding him that a campaign statement was due by July 14, 1997.⁵ On July 14, 1997, the City Clerk sent Respondent Rea an inter-office memo, which carried the notation “second notice,” stating that the campaign statement still had not been filed. Despite these notifications, Respondents failed to file a semi-annual campaign statement by July 31, 1997. On or about October 1, 1997, two months after the due date for the semi-annual statement covering the period January 1, 1997 through June 30, 1997, Respondents filed a campaign statement purporting to cover the period January 1, 1997 through September 20, 1997. By failing to file a semi-annual campaign statement for the reporting period January 1, 1997 through June 30, 1997, by the July 31, 1997 due date, Respondents committed a violation of section 84200, subdivision (a) of the Government Code.

COUNT 6:

Failure to Disclose an Expenditure

⁵ It is unclear why the City Clerk stated that the due date was July 14, 1997, instead of July 31, 1997, as provided by the Act.

Respondents Armando Rea and Committee had a duty to disclose on the semi-annual campaign statement due July 31, 1997, all expenditures made during the reporting period January 1, 1997 through June 30, 1997. On or about October 1, 1997, Respondents filed a campaign statement purporting to cover the period January 1, 1997 through September 20, 1997. According to invoices and receipts of Colby Signs, on February 21, 1997, Respondent Armando Rea paid \$1,000 in cash to Colby Signs toward the purchase of campaign signs. On March 10, 1997, Respondent Rea paid an additional \$812.11 in cash to Colby Signs toward the purchase of campaign signs. Respondent Rea stated to Investigator Buckner that he made these expenditures from his own personal funds.

According to invoices and receipts of Colby Signs, on March 17, 1997, Respondent Armando Rea paid \$489.96 to Colby Signs toward the purchase of campaign materials, described on the invoice as 14 x 22 cards. Respondent Rea told Investigator Buckner that he made this expenditure from his own personal funds. In the campaign statement Respondents filed on October 1, 1997, Respondents failed to report Respondent Rea's February 21, 1997 expenditure of \$1,000 to Colby Signs, his March 10, 1997 expenditure of \$812.11 to Colby Signs, or his March 17, 1997 expenditure of \$489.96 to Colby Signs, in violation of section 84211, subdivision (j) of the Government Code.

COUNT 7:

Failure to Disclose an Expenditure

Respondents Armando Rea and Committee had a duty to disclose on the semi-annual campaign statement due July 31, 1997, all expenditures made during the reporting period January 1, 1997 through June 30, 1997. On or about October 1, 1997, Respondents filed a campaign statement purporting to cover the period January 1, 1997 through September 20, 1997. According to Respondent Rea's bank records, on May 30, 1997, Respondent Rea paid \$2,000 to Lyngate Printing toward the purchase of campaign postcards. Respondent Rea stated to Investigator Buckner that he made this expenditure from his own personal funds. In the campaign statement Respondents filed on October 1, 1997, Respondents failed to report Respondent Rea's May 30, 1997 expenditure of \$2,000 to Lyngate Printing, in violation of section 84211, subdivision (j) of the Government Code.

COUNT 8:

Failure to Disclose a Contribution

Respondents Armando Rea and Committee had a duty to disclose on a semi-annual campaign statement due July 1, 1997, all contributions received during the reporting period January 1, 1997 through June 30, 1997. On or about October 1, 1997, Respondents filed a campaign statement purporting to cover the period January 1, 1997 through September 20, 1997. According to the invoices and bank records of Lyngate Printing, on May 6, 1997, Mariscos El Paisa, Inc. paid \$2,500 to Lyngate Printing toward the purchase of Respondents' campaign postcards. In their October 1, 1997 campaign statement, Respondents failed to report Mariscos

El Paisa, Inc.'s May 6, 1997 contribution of \$2,500, in violation of section 84211, subdivision (f) of the Government Code.

COUNT 9:

Failure to Disclose the True Source of a Contribution

Respondents Armando Rea and Committee had a duty to disclose on a pre-election campaign statement due September 25, 1997, the true source of all contributions received during the reporting period July 1, 1997 through September 20, 1997. On or about October 1, 1997, Respondents filed a campaign statement purporting to cover the period January 1, 1997 through September 20, 1997. In the campaign statement Respondents' filed on October 1, 1997, Respondents reported receiving non-monetary contributions of goods including water bottles, signs, literature and t-shirts valued at \$1,525, in July 1997, from Respondent Rea. However, Respondent Rea later stated to Commission Investigator Sandra Buckner that he did not know the source of these items, that they had been delivered to his house by UPS with no return address, and that he had not tried to determine the true source of the contributions. Respondent Rea stated that he kept some of the goods and distributed the rest to Ricardo Sanchez, Dale Jones, and Arturo Reyes, who were other candidates for the Lynwood City Council. Respondent Rea estimated the value of his share of the goods at \$1,525. By failing to report the true source of the contributions, Respondents violated section 84211, subdivision (f) of the Government Code.

COUNT 10:

Failure to Properly Dispose of Anonymous Contributions

As anonymous contributions are prohibited under the Act, under section 84304, Respondents Armando Rea and Committee had a duty to promptly pay to the Secretary of State the value of any anonymous contributions received. As described in Count 9, Respondent Rea stated to Investigator Buckner that he received non-monetary contributions worth an estimated \$1,525 from an anonymous source in July 1997. Instead of paying the value of the contributions to the Secretary of State, Respondents simply kept the campaign materials and reported that they were a contribution from Respondent Rea. By failing to properly dispose of the anonymous contributions, Respondents violated section 84304 of the Government Code.

COUNT 11:

Failure to Timely File a Second Pre-Election Campaign Statement

Respondents Armando Rea and Committee had a duty to file a pre-election campaign statement by October 23, 1997, disclosing the campaign activity of Respondent Committee during the reporting period September 21, 1997 to October 18, 1997. According to the records of the Lynwood City Clerk, Respondents failed to file the pre-election statement by the October 23, 1997 due date. In response to not receiving the statement by the due date, the Lynwood Deputy City Clerk sent Respondent Rea two letters, on November 3, 1997 and December 10,

1997, requesting that Respondents file the overdue campaign statement. The Clerk received no response to these letters.

After Respondents failed to respond to the Clerk's letters, the matter of Respondents' failure to timely comply with their campaign reporting requirements was referred to the Enforcement Division of the Commission. On July 7, 1998, Enforcement Division Political Reform Consultant Linda Moureaux sent a letter to Respondent Rea, advising him of his need to file all of his overdue campaign statements.

On July 20, 1998, Respondents filed a pre-election campaign statement covering the period September 21, 1997 through October 21, 1997.

By failing to timely file the pre-election statement that was due by October 23, 1997, Respondents violated sections 84200.5 and 84200.8 of the Government Code.

COUNT 12:
Accepting cash contributions

Respondents Armando Rea and Committee had a duty not to accept contributions of \$100 or more in cash. In a campaign statement filed on July 20, 1998, purporting to cover the period September 21, 1997 through October 21, 1997, Respondents reported that Respondent Committee received a contribution of \$4,700 from Respondent Rea on October 21, 1997. According to the bank records of Respondent Committee, the \$4,700 contribution was received in cash, consisting of ninety-four \$50 bills. In a campaign statement filed on July 20, 1998, purporting to cover the period October 22, 1997 through January 30, 1998, Respondents reported that Respondent Committee received an additional contribution of \$4,800 from Respondent Rea on October 22, 1997. According to the bank records of Respondent Committee, the \$4,800 contribution was received in cash, consisting of twenty-eight \$100 bills and one hundred \$20 bills. By accepting contributions totaling \$9,500 in cash from Respondent Rea on October 21, 1997 and October 22, 1997, Respondents violated section 84300, subdivision (a) of the Government Code.

COUNT 13:
Failure to File a Late Contribution Report

Respondents Armando Rea and Committee had a duty to disclose all contributions of \$1,000 or more, received during the late contribution period, in a late contribution report, which must be filed within 24 hours of receipt of the contribution. The late contribution period for the November 4, 1997 election for Lynwood City Council was October 19, 1997 through November 3, 1997. In a campaign statement filed on July 20, 1998, purporting to cover the period September 21, 1997 through October 21, 1997, Respondents reported that Respondent Committee received a contribution of \$4,700 from Respondent Rea on October 21, 1997. As this contribution was received during the late contribution reporting period prior to the November 4, 1997 election, this contribution was required to be disclosed in a late contribution

report filed by October 22, 1997. According to the records of the Lynwood City Clerk, Respondents failed to file a late contribution report disclosing this contribution. By failing to file a late contribution report disclosing the \$4,700 late contribution from Respondent Rea by October 22, 1997, Respondents violated section 84203, subdivision (a) of the Government Code.

COUNT 14:
Failure to File a Late Contribution Report

Respondents Armando Rea and Committee had a duty to disclose all contributions of \$1,000 or more, received during the late contribution period, in a late contribution report, which must be filed within 24 hours of receipt of the contribution. In a campaign statement filed on July 20, 1998, purporting to cover the period October 22, 1997 through January 30, 1998, Respondents reported that Respondent Committee received a contribution of \$4,800 from Respondent Rea on October 22, 1997. As this contribution was received during the late contribution reporting period prior to the November 4, 1997 election, this contribution was required to be disclosed in a late contribution report filed by October 23, 1997. According to the records of the Lynwood City Clerk, Respondents failed to file a late contribution report disclosing this contribution. By failing to file a late contribution report disclosing the \$4,800 late contribution from Respondent Rea by October 23, 1997, Respondents violated section 84203, subdivision (a) of the Government Code.

COUNT 15:
Failure To Maintain Campaign Records

Respondents Armando Rea and Committee had a duty to maintain such detailed accounts, records, bills and receipts that are necessary to prepare campaign statements and comply with the provisions of the Act. Investigator Buckner personally served Respondent Rea with a subpoena duces tecum, requiring him to produce all of the campaign records of Respondent Committee, that Respondents were required to maintain. Respondent Rea failed to reply to the subpoena. Investigator Buckner subsequently interviewed Respondent Rea and asked him why he failed to reply to the subpoena duces tecum. Respondent Rea stated that he did not have any records to provide.

Investigator Buckner asked Respondent Rea about the source of the \$4,700 in cash that he contributed to his campaign on October 21, 1997 (as alleged in Count 12). Respondent Rea stated that the \$4,700 either came from his savings account or was cash he kept at home. Respondent Rea's bank records establish that the \$4,700 was not withdrawn from Respondent Rea's savings account.

During the same interview, Investigator Buckner asked Respondent Rea about the source of the \$4,800 in cash that he contributed to his campaign one day after the \$4,700 contribution, on October 22, 1997, (as alleged in Count 12). Respondent Rea stated that the money was an amount that he had 'accumulated but not necessarily documented.'

By failing to maintain records regarding the source of contributions totaling \$9,500, that Respondent Committee received on October 21, 1997, and October 22, 1997, Respondents violated section 84104 of the Government Code.

CONCLUSION

Respondents' violations are serious. Respondents filed only one campaign statement prior to the November 1997 election, and that statement failed to report numerous contributions and expenditures. As a result, the public was deprived of significant information regarding who was funding Respondent Rea's campaign, and how much the campaign was spending. Ensuring that the public is provided with this information is one of the primary purposes of the Act. (Sec. 81002, subd. (a).)

By making campaign expenditures directly to vendors in cash, Respondents further obscured the source of campaign funding and frustrated the purposes of the Act. Respondents also prevented any determination of the source of campaign funds by depositing a total of \$9,500 in cash into the campaign bank account, and by failing to maintain the required records of the source of these funds. It should be noted that these violations took place at a time when contribution limits of \$100 were in effect, pursuant to Proposition 208, and many of Respondents' unreported contributions were in violation of those limits.

At the time these violations were committed, Respondent Armando Rea had been an elected City Council member for over seven years. Therefore, he should have been familiar with the campaign reporting requirements for a candidate for City Council. The pattern of violations documented in this case indicates that these violations were committed intentionally, and were, in fact, calculated to avoid the disclosure requirements of the Act.

This matter consists of fifteen counts, which carry a maximum possible administrative penalty of thirty thousand dollars (\$30,000). The facts of this case justify imposition of the maximum penalty of thirty thousand dollars (\$30,000).